

Bill will protect consumers from unfair practices of the credit card industry

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Media Contact: Rebecca Dreilinger (202) 225-8203

FOR IMMEDIATE RELEASE

(Washington, DC) Today, U.S. Representative Luis V. Gutierrez (D-IL), Chairman of the Subcommittee on Financial Institutions and Consumer Credit, will join President Barack Obama at the White House as the Credit Card Holders' Bill of Rights is signed into law.

On Wednesday, the House voted to bring common sense reform and consumer protections to the credit card industry by an overwhelming bipartisan majority of 361-64. The bill, ushered through the legislative process by Chairman Gutierrez and introduced by Rep. Carolyn Maloney (D-NY), will level the playing field between card issuers and cardholders by applying common-sense regulations to ban retroactive interest rate hikes on existing balances, double-cycle billing and due-date gimmicks. It would also improve the advance notice of impending rate hikes, giving cardholders the information they need and rights to make decisions about their financial lives.

WHAT:	Signing of the Credit Card Holders' Bill of Rights
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WHEN:	Friday, May 22, 2009, 3:00 p.m.
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WHERE:	The White House
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"With more than 640 million credit cards in circulation that account for an estimated \$1.5 trillion of consumer spending, the U.S. economy has clearly gone plastic," said Chairman Gutierrez. "But America's love affair with credit cards comes with a hefty price. The average credit card debt among American households has more than doubled over the past decade. Today, the average family owes roughly \$8,000 on their credit cards. Meanwhile, as Americans struggle to make ends meet, a growing share of the industry's revenues have come from deceptive tactics, such as universal default terms spelled out in fine print — the terms and conditions of which could be changed at any time for any reason with 15 days' notice or less. That is unacceptable."

The Credit Card Holders' Bill of Rights' common sense regulations will ban most retroactive interest rate hikes on existing balances (except when payments are more than 60 days late), double-cycle billing and due-date gimmicks. Additionally, the bill increases notice of interest rate hikes going forward on new purchases; requires that bills be sent 21 days before the due date; prohibits charging fees just to pay a bill by phone, mail or web; bans over-the-limit fees unless a consumer opts-in in advance; requires payments to be applied fairly to the highest interest rate balance first; and strengthens credit card protections for young people.

"Let's be clear about what Congress has done: we have banned practices that the Federal Reserve has already declared 'unfair', 'deceptive' and 'anti-competitive.' Our economic recovery depends on a shared prosperity," continued Chairman Gutierrez. "That's why today Congress is siding with the American people, leveling the playing field between consumers and the credit card industry."

"The Credit Cardholders' Bill of Rights is part of my Subcommittee's vigorous, pro-consumer, pro-small business and pro-small lender agenda to rebuild our economy in a way that is consistent with our values of responsibility and hard work, not high-flying finance schemes. As American families are being forced to tighten their belts during this economic crisis, the lending industry that has found new ways to make profits around old regulations, and faced little oversight, needs a reality check too."

So far this year, the Financial Institutions Subcommittee has also held hearings on mortgage lending reform legislation, which was passed in the House. Additionally, this week, Chairman Gutierrez held a hearing on a bill to stabilize credit unions, an important source of capital for our communities. And during this Congress, he will introduce legislation to prohibit bank regulators from forcing small banks and community banks to pay increased risk premiums to cover the losses of the too-big-to-fail institutions that got Americans into the into financial crisis.

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Summary of the Credit Cardholders' Bill of Rights

Prevents Unfair Increases in Interest Rates and Changes in Terms

- Prohibits arbitrary interest rate increases on existing balances, unless the consumer is 60 days late on a payment or fails to comply with a workout agreement.
- Eliminates “universal default,” where card issuers raise interest rates because of lateness or default with other creditors — even if the cardholder is in good standing with the card in question;
- Requires a credit card issuer who increases a cardholder’s interest rate to periodically review and decrease the rate if indicated by the review;

- Prohibits issuers from increasing rates on a cardholder in the first year a credit card account is opened;
- Requires promotional rates to last at least 6 months.

Prohibits Exorbitant and Unnecessary Fees

- Prohibits issuers from charging a fee to pay a credit card debt, whether by mail, telephone, or electronic transfer, except for live services to make expedited payments;
- Prohibits issuers from charging over-limit fees unless the cardholder elects to allow the issuer to complete over-limit transactions, and also limits over-limit fees on electing cardholders;
- Requires penalty fees to be reasonable and proportional to the omission or violation;
- Strengthens protections against excessive fees on low-credit, high-fee credit cards.

Requires Fairness in Application and Timing of Card Payments

- Requires payments in excess of the minimum to be applied first to the credit card balance with the highest rate of interest;
- Prohibits issuers from setting early morning deadlines for credit card payments;

- Requires credit card statements to be mailed 21 days before the bill is due rather than the current 14.

Protects the Rights of Financially Responsible Credit Card Users

- Prohibits interest charges on debt paid on time (double-cycle billing ban);
- Prohibits late fees if the card issuer delayed crediting the payment;
- Requires that payment at local branches be credited same-day;
- Requires credit card companies to consider a consumer's ability to pay when issuing credit cards or increasing credit limits.

Provides Greater Disclosure of Card Terms and Conditions

- Requires cardholders to be given 45 days notice of interest rate, fee and finance charge increases;
- Requires issuers to provide disclosures to consumers upon card renewal when the card terms have changed;
- Requires issuers to disclose the period of time and total interest it will take to pay off the card balance if only minimum monthly payments are made;
- Requires full disclosure in billing statements of payment due dates and applicable late

payment penalties.

Strengthens Oversight and Penalties Credit Card Industry Practices

- Requires each issuer to post its credit card agreements on the Internet, and provide those agreements to the Federal Reserve Board to post on its website;
- Requires the Federal Reserve Board to review the consumer credit card market, including the terms of credit card agreements and the practices of credit card issuers and the cost and availability of credit to consumers;
- Requires Federal Trade Commission rulemaking to prevent deceptive marketing of free credit reports;
- Increases existing penalties for companies that violate the Truth in Lending Act for credit card customers.

Ensures Adequate Safeguards for Young People

- Requires issuers extending credit to young consumers under the age of 21 to require either a co-signor or proof that the applicant has an independent means of repaying any credit extended;
- Limits prescreened offers of credit to young consumers;
- Prohibits increases in the credit limit on accounts where a parent, legal guardian, spouse or other individual is jointly liable unless the individual who is jointly liable approves the increase;

- Increases protections for students against aggressive credit card marketing, and increases transparency of affinity arrangements between credit card companies and universities.

Gift Card Protections

- Protects recipients of gift cards by requiring all gift cards to have at least a five-year life span, and eliminates the practice of declining values and hidden fees for those cards not used within a reasonable period of time.

Encourages Transparency in Credit Card Pricing

- Requires the GAO to study the impact of interchange fees on consumers and merchants, specifically their disclosure, pricing, fee and cost structure.

Protects Small Businesses

- Requires the Federal Reserve to study the use of credit cards by small businesses and make recommendations for administrative and legislative proposals;
- Establishes Small Business Information Security Task Force to address the information technology security needs of small businesses and help prevent the loss of credit card data.

Promotes Financial Literacy

- Requires comprehensive summary of existing financial literacy programs and development of strategic plan to improve financial literacy education.

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